

Message Text

LIMITED OFFICIAL USE

PAGE 01 LISBON 00349 162106Z

11

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 COME-00 L-03 OPIC-03

TRSE-00 OMB-01 /032 W

----- 006262

R 161613Z JAN 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5685

INFO AMCONSUL OPORTO

LIMITED OFFICIAL USE LISBON 349

E.O. 11652: N/A

TAGS: ETRD, PO

SUBJ: COTTON CONTRACT PROBLEM

REF: STATE 007753, LISBON 0103

1. CLARK (CHAIRMAN OF CIEC), COMMATT, AND REPRESENTATIVE OF CIEC'S PORTUGUESE AGENT MET WITH DR. MAGRO OF MINISTRY OF INDUSTRY ON JANUARY 14 TO DISCUSS POSSIBLE RESOLUTION OF DISPUTE OVER CONTRACT WITH FIACAO DE TOMAR (FT).

2. MARGO AGAIN RECOGNIZED VALIDITY OF CONTRACT BUT NOTED THAT COMPLIANCE OR PAYMENT OF LIVERPOOL AWARD TO CIEC OF \$400,000 COULD MEAN BANKRUPTCY OF FIRM. HE MAINTAINED THAT OTHER SUPPLIERS AND CREDITORS HAD RENEGOTIATED CONTRACTS IN ORDER KEEP FIRM OPERATING. BANKRUPTCY, ACCORDING TO MAGRO, WOULD MEAN CIEC MIGHT GET VERY LITTLE BECAUSE IT WOULD BE SECONDARY CREDITOR AFTER PRIVILEGED ONES SUCH AS GOP, STATE BANKS, WORKERS' INDEMNIFICATION AND VARIOUS WELFARE FUNDS. FT'S BALANCE SHEET INDICATES THAT LIABILITIES ARE THREE TIMES GREATER THAN ASSETS AND ONE BANK ALONE, BANCO ESPIRITO SANTO, MAY BE OWED AS MUCH AS \$6 MILLION. STILL ON SUBJECT OF STATUS OF CREDITORS IN CASE OF BANKRUPTCY, MAGRO IMPLIED THAT OTHERS COULD CHALLENGE CIEC'S LEGAL STATUS BECAUSE CIEC/FT CONTRACT WAS NEVER REGISTERED WITH BANK OF PORTUGAL. NON-REGISTRATION OF CONTRACT COULD ALSO INVALIDATE LIVERPOOL CLAIM IN EYES OF PORTUGUESE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LISBON 00349 162106Z

COURTS. (MAGRO ADDED THAT CONTRACTS FOR RAW MATERIAL WERE

ALMOST NEVER REGISTERED BUT THE REQUIREMENT WAS ON THE BOOKS.)
MAGRO FURTHER NOTED THAT IMPLEMENTATION OF LIVERPOOL AWARD WOULD
BE DEATH KNEEL FOR FT'S PLANS TO RESTRUCTURE AND INCREASE EX-
PORTS BECAUSE OF IMPLICATIONS FOR CREDIT REPUTATION.

3. ASKED FOR SUGGESTED SOLUTION, MAGRO PROPOSED, CONDITIONAL
UPON FT APPROVAL, THAT CIEC SIGN NEW CONTRACT FOR SAME TONNAGE
BUT FOR DIFFERENT QUALITY AND AT TODAY'S MARKET PRICE. IN ORDER
TO COMPENSATE CIEC, FT AND CIEC WOULD SIGN GENTLEMEN'S AGREE-
MENT UNDER WHICH CIEC WOULD GET PREFERENCE IN SUPPLYING RAW
COTTON TO FT FOR TWO YEARS. MAGRO FINISHED BY STATING THAT
HE WOULD RECOMMEND TO THE MINISTRY OF INDUSTRY THAT GOP SUPPORT
OF FT BE WITHDRAWN (THUS ALLOWING BANKRUPTCY) SHOULD THERE BE
NO SATISFACTORY RESOLUTION OF CIEC/FT PROBLEM.

4. CLARK DIPLOMATICALLY REJECTED MAGRO PROPOSAL ON GROUNDS
IT OFFERED NO CONCRETE PROVISION FOR COMPENSATION TO CIEC. HE
ASKED WHETHER A CIEC COUNTER-PROPOSAL INCORPORATING CONCRETE
PROVISIONS FOR SOME COMPENSATION HAD ANY CHANCE OF ACCEPTANCE;
MAGRO DID NOT ANSWER BUT RECOMMENDED THAT CLARK MAKE COUNTER-
PROPOSAL. MAGRO ASKED FOR SOME CIEC REACTION ASAP.

5. LATER CONVERSATIONS WITH CLARK AT EMBASSY INDICATED HE
WILL START PROCEEDINGS IN PORTUGUESE COURTS IN ATTEMPT TO
COLLECT LIVERPOOL AWARD. IN ADDITION, HE WILL PREPARE BRIEF
SUMMARY OF CASE FOR USE OF EMBASSY IN CONVERSATIONS WITH
GOP OFFICIALS IN MINISTRIES OF EXTERNAL TRADE AND FINANCE,
AND IN BANK OF PORTUGAL. EMBASSY WILL POINT OUT TO OFFICIALS
IMPORTANCE OF SATISFACTORY SOLUTION TO FUTURE GOP TRADE
AND INVESTMENT INTERESTS.
OKUN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COTTON, TRADE COMPLAINTS, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LISBON00349
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760018-0760
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760150/aaaabskt.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 7753, 76 LISBON 103
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 03 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 MAY 2004 by BoyleJA>; APPROVED <13 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COTTON CONTRACT PROBLEM
TAGS: ETRD, EAGR, EPAP, PO, US, CIEC, FIACAO DE TOMAR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006